

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter Of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE PASSTHROUGH MECHANISM OF) CASE NO. 96-331
MEADE COUNTY RURAL ELECTRIC)
COOPERATIVE CORPORATION AS BILLED)
FROM DECEMBER 1, 1995 TO APRIL 30, 1996)

ORDER

On July 12, 1996, the Commission initiated this proceeding to review Meade County Rural Electric Cooperative Corporation's ("Meade County") environmental surcharge passthrough mechanism as billed to customers for the six months December 1, 1995 through April 30, 1996. Pursuant to the Commission's decision in Case No. 95-208,¹ formal reviews of the operation of Meade County's surcharge were ordered to be conducted at six-month intervals in conjunction with the Commission's review of the operation of Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge.

Meade County determined that it had over-recovered \$4,239.54 from its Non-Dedicated Delivery Point customers during the review period.² Meade County proposed to include the over-recovery through a billing factor adjustment. It also proposed that

¹ Case No. 95-208, The Applications of Green River Electric Corporation, Henderson Union Electric Cooperative Corporation, Jackson Purchase Electric Cooperative Corporation, and Meade County Rural Electric Cooperative Corporation for Approval of Mechanisms to Flow Through Environmental Surcharges to be Charged by Their Wholesale Power Supplier, Big Rivers Electric Corporation, final Order dated October 4, 1995.

² Response to the Commission's July 12, 1996 Order, Exhibit A, page 1 of 12. Due to the nature of the billing practices, Dedicated Delivery Point customers do not experience either over- or under-recoveries.

over- or under-recoveries be returned or charged to customers on a monthly basis in a manner similar to that used in fuel adjustment clause ("FAC") proceedings. Meade County argued that advertising costs and preparation costs could be reduced if environmental surcharge passthrough reviews were conducted concurrently with FAC reviews.

The Commission is not persuaded that there is a need to adjust the passthrough billing factor for the over- or under-recovery amounts monthly at this time. Meade County has not demonstrated a compelling need for the proposed change nor has it offered evidence to support its argument. During the review period, Meade County experienced several KWH adjustments due to errors in the determination of the monthly bill from Big Rivers. Because the passthrough is reviewed on a six-month basis, Meade County was able to reflect the appropriate corrections to its KWH purchases at one time. Had there been monthly adjustments to the passthrough billing factor, the correction for billing errors would have been more complicated. In addition, at the present time the over- and under-recovery amounts experienced during the review period are not material.

Meade County's proposal for concurrent FAC and environmental surcharge reviews was addressed and rejected by the Commission in Case No. 95-208. We declared:

[S]ix-month and two-year environmental surcharge reviews should not be held in conjunction with the Commission's review of the Cooperatives' FACs. No connection between the two proceedings exists and there is no link between the review periods for the two proceedings. Commission Regulation 807 KAR 5:056 establishes the FAC review periods while the environmental surcharge review periods will be

determined by the date of the first environmental surcharge billing. As the timing and amount of the Cooperatives' surcharges depend on Big Rivers' actions, the Commission finds it more reasonable for its review of the Cooperatives' environmental surcharges to coincide with the reviews of Big Rivers' environmental surcharge.³

After review of Meade County's calculations, the Commission finds that Meade County over-recovered \$4,239.54 through its environmental surcharge passthrough mechanism and should return the over-recovery to its customers as a lump sum adjustment to the next billing factor calculated subsequent to the date of this Order. The Commission further finds that ES Form 1.0 should be revised to reflect this adjustment. The Commission has also designed format ES Form 2.0, which should be used for all subsequent six-month and two-year reviews. Both formats are appended to this Order.⁴

IT IS THEREFORE ORDERED that:

1. Meade County shall apply a reduction of \$4,239.54 when calculating the billing factor in its next monthly surcharge passthrough filing subsequent to the date of this Order.
2. Meade County's request to make monthly over- or under-recovery adjustments to the surcharge passthrough billing factor is denied.
3. Meade County's request to hold the surcharge passthrough six-month reviews in conjunction with its FAC reviews is denied.

³ Case No. 95-208, final Order dated October 4, 1995, at 4.


⁴ Although unchanged, ES Form 1.1 is included in Appendix A for Meade County's future reference.

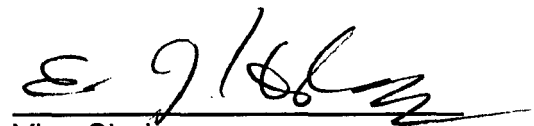
4. The reporting formats in Appendix A shall replace the corresponding formats authorized in Case No. 95-208. The formats shall be used in the monthly surcharge reports filed subsequent to the date of this Order.


5. Meade County shall incorporate all revisions made in this Order in the appropriate future six-month review proceedings.

Done at Frankfort, Kentucky, this 20th day of December, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-331 DATED DECEMBER 20, 1996

MONTHLY AND SIX-MONTH ENVIRONMENTAL SURCHARGE PASS THROUGH REPORTING FORMATS FOR MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Monthly Reporting Formats:

ES Form 1.0 Allocation of Environmental Surcharge Billed by Big Rivers
Electric Corporation and Calculation of Environmental
Surcharge Factor for Customers Served From Non-Dedicated
Delivery Points

ES Form 1.1 Environmental Surcharge Billed to Customers Served From
Dedicated Delivery Points [To be filed only if more than one
customer served from a dedicated delivery point.]

Six-Month Review Format:

ES Form 2.0 Big Rivers Environmental Surcharge Passthrough
Recap of Billing Factors and Revenue - Non-Dedicated
Delivery Customers

**MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
ALLOCATION OF ENVIRONMENTAL SURCHARGE BILLED BY BIG RIVERS
ELECTRIC CORPORATION AND CALCULATION OF ENVIRONMENTAL
SURCHARGE FACTOR FOR CUSTOMERS SERVED FROM
NON-DEDICATED DELIVERY POINTS
For the Month of _____**

Total Monthly Environmental Surcharge Billed to Cooperative	\$
Deduct Total Amount Billed Directly to Customers Served from Dedicated Delivery Points ¹	\$
Monthly Environmental Surcharge to be Allocated to Customers Served from Non-Dedicated Delivery Points, EN(m)	\$
Adjustment for Six-Month Over- or Under-Recovery	\$
Net EN(m)	\$

CALCULATION OF ENVIRONMENTAL SURCHARGE FACTOR

EN(m):	Net of Over- or Under-Recovery	\$
P(m) :	Total KWH Purchased, Less Line Losses Equal to a 12-Month Moving Average	KWH
Environmental Surcharge Factor: $\text{Net EN(m)/P(m)} =$		

Effective Date for Billing: _____

Submitted by: _____

Title: _____

Date Submitted: _____

¹ If more than one customer is served from a dedicated delivery point, complete and attach ES Form 1.1. If only one customer is served from a dedicated delivery point, then identify here: _____.

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
BIG RIVERS ENVIRONMENTAL SURCHARGE PASSTHROUGH
RECAP OF BILLING FACTORS AND REVENUE - NON-DEDICATED DELIVERY CUSTOMERS
 For the Period _____ through _____

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Date Billed by Big Rivers	Amount Billed by Big Rivers	KWH Purchased	Line Loss %	Net KWH	Billing Factor	Amount Billed Customers	Billing Period Beginning	Monthly Over/(Under) Recovery
Totals								

For each month presented, include copies of the appropriate monthly Invoices submitted by Big Rivers to the Cooperative for the Non-Dedicated Delivery Customers. Provide reconciliations for any amount shown on this schedule which differs with the amounts shown on the Big Rivers' Invoices.
 Include any other documentation necessary to support the amounts shown on this schedule.